

FDIC State Profile

Summer 2005

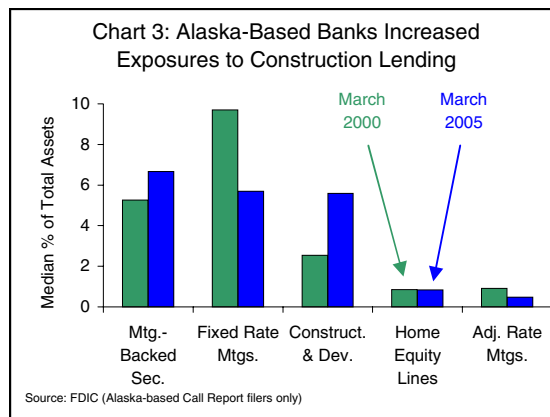
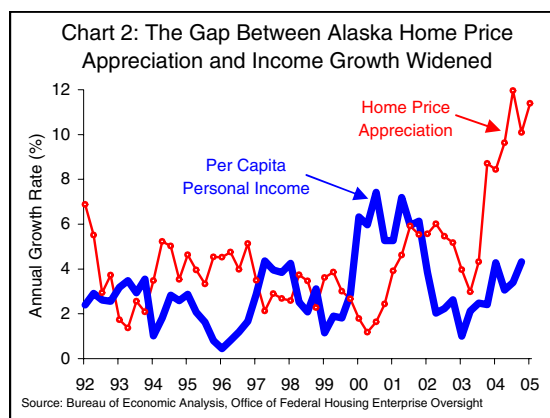
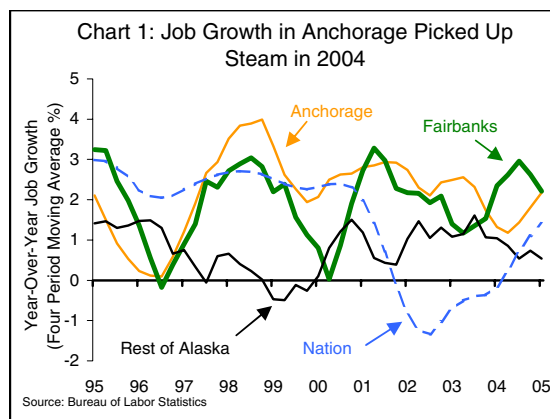
Alaska

Alaska year-over-year job growth improved to 1.6 percent in first quarter 2005.

- The Alaska retail trade and health care sectors were the strongest contributors to employment growth, adding nearly half of the state's net new jobs. The outlook for these sectors is positive and statewide job growth is expected to be relatively stable through the rest of 2005 and 2006.¹
- **Anchorage** and **Fairbanks** reported job growth during the last several quarters that generally outpaced the state's rural areas and the rest of the nation (See Chart 1). Like the state as a whole, the health services sector in both metropolitan areas added jobs during the last year. The construction sector was also an important source of growth in Anchorage. Although Fairbanks benefited from job gains in the growing retail sector, the air transportation sector experienced job losses related to regulatory changes in mail delivery procedures.
- The Base Realignment and Closure recommendations may hit Alaska particularly hard as more than 4,500 jobs are expected to be eliminated at four military facilities, three of which rank among the state's top five employers. Nearly 3,000 jobs are expected to be shed in Fairbanks at Eielson Air Force Base. The balance of the job losses are expected to come from three Anchorage facilities (Elmendorf Air Force Base, Fort Richardson, and Kulis Air Guard Station).

Tax revenue from oil production provides an important boost to Alaska's government and consumer sectors.

- Higher oil prices were expected to boost total oil revenue by approximately \$700 million in fiscal year 2005 despite a decline in production. Alaska North Slope oil production, which accounts for more than 95 percent of total state oil production, has been declining, but is expected to increase when production from new oil fields begins in fiscal year 2006.



¹Forecast sources are the Alaska Department of Labor and Workforce Development "Alaska Economic Trends" (May 2005) and Economy.com.

State Profile

- In addition to being a key component in state government finances, Alaska's consumer sector benefits from increased oil revenues; the state's Permanent Fund pays the residents' annual dividends, which totaled \$920 per person for 2004.

Home price growth in Alaska was solid and construction lending exposures grew.

- Alaska home prices increased in first quarter 2005, but the state's 11.4 percent year-over-year growth pace slightly lagged the national rate. Home price appreciation rates in the Anchorage and Fairbanks metropolitan areas closely paralleled the state's pace.
- Alaska home price appreciation continued to outpace gains in per capita personal income (See Chart 2). Although housing affordability in the state remained well above other areas in the West, it has deteriorated since year-end 2003.
- Alaska-based insured institutions reported the 16th highest level of C&D exposure in the nation, with a median C&D exposure of 46.5 percent of Tier 1 capital as of March 31, 2005. This exposure now approximates the level of investment that Alaska's banks have in fixed-rate mortgages and mortgage-backed securities (See Chart 3).
- Alaska borrowers use of adjustable-rate mortgages remained less than one-fourth the share nationwide (See Chart 4).

Year-to-date earnings performance at insured institutions weakened because of increased overhead.

- Overhead costs climbed among insured institutions based in the state; more than half of the insured financial institutions headquartered in Alaska reported higher personnel and occupancy expenses compared with one-year ago. Earnings decreased during first quarter 2005 with a return-on-assets (ROA) of 0.93 percent, somewhat lower than the median ROA of 1.04 percent reported by institutions nationwide.
- Net interest income among Alaska-based institutions contracted in first quarter 2005 despite an increase in the prime rate, possibly reflecting the growing popularity of short-term, fixed-rate financing for non-residential credit and a relatively high percentage of long-term assets (See Chart 5).

Total delinquencies decreased; however, commercial and industrial (C&I) loan portfolios deteriorated.

- Despite overall improvement in asset quality, C&I loan portfolios at Alaska-based institutions are showing some signs of weakness. The C&I past-due ratio edged up sharply as of first quarter 2005 (See Chart 6).

- Alaska-based institutions ranked first in the nation for past-due C&I loans as of first quarter 2005, while C&I exposure ranked third in the nation, indicating the importance of this lending sector to the state's financial institutions.

Chart 4: Adjustable Rate Mortgages Regained Momentum in Alaska but Trail the Nation

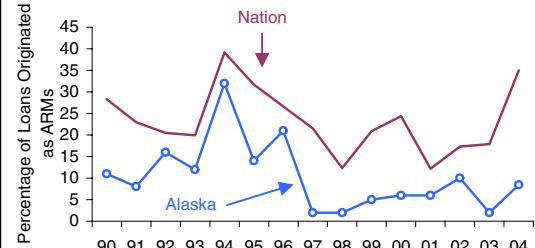


Chart 5: Net Interest Income and Prime Rate Trends Diverged

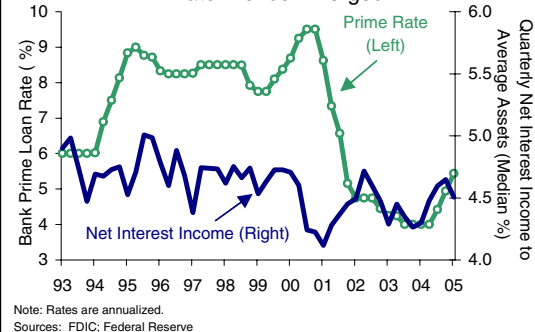
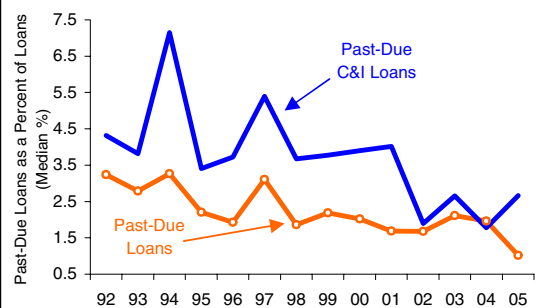


Chart 6: C&I Delinquencies Increase



Alaska at a Glance

ECONOMIC INDICATORS (Change from year ago quarter, unless noted)

Employment Growth Rates	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Total Nonfarm (share of trailing four quarter employment in parentheses)	1.6%	1.3%	1.8%	2.3%	1.9%
Manufacturing (4%)	-1.2%	4.3%	1.6%	-1.5%	9.9%
Other (non-manufacturing) Goods-Producing (9%)	4.0%	2.6%	-0.9%	1.9%	6.9%
Private Service-Producing (60%)	2.2%	1.4%	2.0%	2.5%	-0.5%
Government (27%)	0.2%	0.2%	2.3%	2.7%	4.5%
Unemployment Rate (% of labor force)	7.0	7.6	7.7	6.7	6.1

Other Indicators	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Personal Income	N/A	5.4%	2.2%	5.1%	5.9%
Single-Family Home Permits	-0.7%	12.5%	-29.7%	19.4%	15.3%
Multifamily Building Permits	157.3%	-56.8%	-32.1%	64.7%	286.4%
Existing Home Sales	21.4%	30.7%	3.5%	7.5%	19.3%
Home Price Index	11.4%	8.4%	4.0%	5.6%	3.9%
Bankruptcy Filings per 1000 people (quarterly level)	0.54	0.55	0.51	0.47	0.51

BANKING TRENDS

General Information	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Institutions (#)	7	7	8	8	8
Total Assets (in millions)	3,886	3,788	6,972	6,492	6,331
New Institutions (# < 3 years)	0	0	0	0	0
Subchapter S Institutions	1	1	1	1	1

Asset Quality	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Past-Due and Nonaccrual Loans / Total Loans (median %)	1.01	1.96	2.11	1.68	1.69
ALLL/Total Loans (median %)	1.04	1.17	1.39	1.33	1.23
ALLL/Noncurrent Loans (median multiple)	1.80	1.81	1.09	1.47	2.11
Net Loan Losses / Total Loans (median %)	0.16	0.07	0.17	0.20	0.19

Capital / Earnings	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Tier 1 Leverage (median %)	9.48	8.97	9.04	9.10	9.04
Return on Assets (median %)	1.18	1.18	1.21	1.22	1.17
Pretax Return on Assets (median %)	1.69	1.69	1.81	1.87	1.85
Net Interest Margin (median %)	5.12	5.04	4.89	5.14	5.13
Yield on Earning Assets (median %)	7.11	6.98	7.25	7.43	7.80
Cost of Funding Earning Assets (median %)	2.11	2.06	2.31	2.46	2.94
Provisions to Avg. Assets (median %)	0.09	0.08	0.10	0.11	0.10
Noninterest Income to Avg. Assets (median %)	0.88	0.91	1.26	1.24	1.21
Overhead to Avg. Assets (median %)	3.88	3.81	3.86	3.86	3.83

Liquidity / Sensitivity	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Loans to Assets (median %)	53.3	51.2	51.2	48.0	48.6
Noncore Funding to Assets (median %)	16.8	18.0	18.4	17.9	21.7
Long-term Assets to Assets (median %, call filers)	20.8	15.8	13.4	18.4	22.9
Brokered Deposits (number of institutions)	2	2	2	0	1
Brokered Deposits to Assets (median % for those above)	2.4	1.7	1.8	0.0	1.3

Loan Concentrations (median % of Tier 1 Capital)	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Commercial and Industrial	125.7	129.4	110.2	130.9	116.4
Commercial Real Estate	295.1	280.5	203.4	183.8	168.0
<i>Construction & Development</i>	46.5	38.0	32.3	30.7	26.8
<i>Multifamily Residential Real Estate</i>	8.9	6.5	3.6	5.4	8.9
<i>Nonresidential Real Estate</i>	250.3	250.9	153.3	113.3	108.3
Residential Real Estate	96.8	80.5	92.7	113.8	125.5
Consumer	34.7	35.6	44.8	52.2	60.4
Agriculture	1.5	0.6	1.4	1.5	2.2

BANKING PROFILE

Largest Deposit Markets	Institutions in Market	Deposits (\$ millions)	Asset Distribution	Institutions
Anchorage, AK	5	3,038	< \$250 million	4 (57.1%)
Fairbanks, AK	6	761	\$250 million to \$1 billion	2 (28.6%)
			\$1 billion to \$10 billion	1 (14.3%)
			> \$10 billion	0 (0%)